

**Meeting Report**  
**Budget Review Meeting**  
**Wednesday, November 17, 2010**  
**Penn Room**

**Attending:** J. Waltman, D. Sterner, F. Acosta, D. Reed, M. Goodman-Hinnershitz, L. Kelleher, D. Cituk, C. Younger, F. Denbowski

Mr. Acosta, Finance Chair, called the meeting to order at approximately 4:07 pm.

**Contingency Fund**

Mr. Spencer stated that he had a discussion with Mr. Mann from PFM concerning Mr. Geffken's statement that the Act 47 Recovery Plan requires the City to set aside a specific amount of money in a Contingency Account in the 2011 budget. Mr. Spencer reported that Mr. Mann said that a Contingency Account is not required until 2014. Mr. Mann said that PFM's main concern was for the 2011 budget to be balanced with realistic projections. Mr. Mann did say; however, that if it is possible to set aside money this year that it should be done as a good practice.

Mr. Spencer stated that he discussed this issue with the Mayor today and reported that the Mayor's position did not change and he remained firm that he would veto the budget if additional alterations were made.

Ms. Goodman-Hinnershitz expressed her belief that using a Contingency Account is a best practice and thanked Mr. Spencer for reaching out in this manner.

Mr. Sterner inquired if the Contingency Account will be funded through the Unfunded Debt Loan. Mr. Younger replied that the Unfunded Debt Loan is being used to cover 2010 transactions.

Mr. Acosta stated that if revenues come in short and/or expenditures come in high then the Administration will need to ask Council to approve a transfer from the Contingency Account. Mr. Denbowski stated that a transfer request will not be required as the Contingency Account is located within the General Fund and not a separate fund.

Ms. Goodman-Hinnershitz stated that the Finance Committee should be able to easily track the money in this account due to the improved financial reporting. She added that due to past history, the Finance Committee will need to remember to specifically inquire about the money in this account monthly and then hold the administration accountable if improprieties are noted.

Mr. Waltman stated that if the Administration falls short of cash in one budget area, they will need Council's approval to move the money from the Contingency Account to another General Fund area, due to the language in the Administrative Code.

Mr. Marmarou inquired if penalties exist for failure to seek Council's approval. Mr. Younger stated that if the Mayor or Managing Director fails to seek Council's approval for a transfer that would violate an ordinance and misfeasance or malfeasance may exist.

The group discussed the need to set the Contingency allocation in a separate Fund to prevent misuse.

### **RAWA**

Mr. Spencer and Mr. Denbowski updated Council of their recent meetings with RAWA.

Mr. Denbowski reported that the Mayor directed him to attend the RAWA work session as RAWA's contribution was slated for discussion; however, he arranged a special meeting with Mr. Miller and Mr. Setley when he learned that the work session was cancelled for November. He stated that he personally invited Mr. Spencer to attend the RAWA meeting with him. He stated that Mr. Miller and Mr. Setley asked Mr. Geffken to put the City's desires in writing so the Board had something to react to, which resulted in the Board approving the contribution for 2010 and 2011. He stated that there were no negotiations at any time.

Mr. Waltman reminded everyone that the renewed discussions with RAWA were brought about by City Council, after the Mayor said that he no longer wanted to handle the situation.

### **RPA**

Mr. Waltman stated that he asked Ms. Kelleher to e-mail Mr. Lee today to obtain clarity on the RPA's ability to provide a contribution in 2011. Copies of the correspondence were distributed to Council at the meeting. Mr. Lee responded affirmatively but cautioned that the RPA's ability to meet the City's expectation is based on everything running smoothly, with no unexpected financial catastrophes during the course of 2011.

Ms. Reed noted that Council's unwillingness to enact the ordinances to expand parking meter enforcement will also impact on the RPA's ability to meet the City's financial expectations. She stated that this issue may need to be revisited.

Ms. Goodman-Hinnershitz stated that she would reconsider the expansion of parking meter enforcement if the RPA improved their dialog with the downtown businesses and if the RPA began to use credit card meters.

Ms. Reed stated that the RPA plans on testing credit card meters in early 2011 but she noted that the installation of these meters will be costly and again impact on their ability to meet the City's expectations.

Mr. Denbowski stated that the RPA is discussing alternative initiatives at their meeting this evening. These alternatives may require Council's approval.

Mr. Waltman noted that the contributions from RPA and RAWA eliminated property tax increases in the Recovery Plan until 2014. He noted his disappointment that the 2011 Budget contains the Recovery Plan allocations from RPA and RAWA and increases property taxes by 20%. He expressed the belief that approximately 50% of Reading residents are not paying their EIT annually.

Mr. Acosta recounted his conversation with the Executive Director of a City non-profit agency who was told by a Tax employee that "You could save money by not making these EIT payments. If you don't pay the EIT we will not be able to find out". He stated that he will be following up with the Administration.

Mr. Marmarou noted the lack of collection of Per Capita, LST and Business Privilege Taxes. He also stated that he is tired of hearing the Administration calling these taxes nickels and dimes. He asked Ms. Kelleher how much Allentown collects in Per Capita Tax. Ms. Kelleher stated that Allentown collects approximately \$280K per year. She stated that the Recovery Plan states that approximately 57,000 citizens should be paying Per Capita; however, the Administration budgeted \$80K for Per Capita Tax collection for 2011, which says they expect only 16,000 citizens to pay.

Mr. Marmarou predicted that the proper collection of all taxes could result in millions of additional dollars that the City sorely needs.

Due to a conflicting appointment, Mr. Acosta excused himself from the meeting and asked Ms. Reed to facilitate.

Mr. Waltman reminded all of Mr. Geffken's recent admission that the City lacks the proper processes to collect delinquent taxes at a Budget Review meeting where the Mayor was present. He stated that the Mayor's lack of reaction or response to that admission by Mr. Geffken tells everyone that the Mayor is not concerned about delinquent collections.

Mr. Spencer also noted his frustration that the Administration has not replaced Linebarger as a delinquent collector if they are not performing and producing properly.

Mr. Sterner noted the many problems and inefficiencies in each department. He stated that the problems in the IT Department alone have a serious and negative impact on collections and other activities. He also suggested that many cash businesses are not paying the City or are shortchanging the City.

Mr. Waltman noted that those who continue to pay higher taxes each year will be extremely angry when they learn about the true number of people who refuse to pay at all.

The discussion turned to a straw vote on the budget.

Mr. Spencer stated that he will support the budget with the 20% property tax increase, as the difference between a 15% increase and a 20% increase is minimal.

Mr. Marmarou stated that he fears that reducing the property tax increase will set the City up for problems next year

Ms. Reed stated that Mr. Geffken sent her information showing that City properties have lost \$1M in assessed value over recent years.

Mr. Spencer noted that if Council makes further alterations to the budget, they will need five (5) votes to override the Mayor's promised veto.

Mr. Waltman stated that the Administration has not implemented Act 47 initiatives valued at \$2M this year and he stated that he expects that the initiatives, also valued at \$2M for 2011 will also fall short. He stated that the City would not have financial gaps if the City implemented the plan as it was approved.

Mr. Waltman asked those present to reconsider his memo dated 11-15-10 regarding budget adjustments. He stated that a person who earns \$40K will pay \$700 cumulatively due to tax increases last year and this year. He agreed that the City cannot control everything; however, they could at minimum collect delinquent taxes.

Mr. Spencer stated that prior year's budgets were difficult to work with due to problematic numbers.

Mr. Waltman explained the EIT collection and per tenth calculations for Reading, Allentown, Lancaster and Bethlehem. He noted that Allentown, Bethlehem and Lancaster saw very little change in their EIT collection even during the difficult economy; however, Reading's collection worsens each year.

Mr. Marmarou expressed the belief that college students living off campus should pay per capita tax as they require City services.

There was next a discussion on the need for the budget to contain realistic projections and that further alteration would require layoffs or reduction in services.

Mr. Denbowski explained the Mayor's budget presentation scheduled for Friday at 4 pm in Council Chambers.

Mr. Waltman noted the need to spend tax dollars to improve services and City conditions that are visible to the taxpayer.

Mr. Sterner noted the Administration's mishandling of the housing registration and permitting process over the last 5 years.

Mr. Spencer stressed the need for the City to change and improve its practices.

A second straw vote occurred and 4 affirmative votes on the 2011 budget were tallied.

The meeting adjourned at approximately 6:20 p.m.

*Respectfully submitted by Linda A. Kelleher CMC, City Clerk*